



FINRA Investor Education Foundation®

Report to the SEC of the Global Settlement Funds

For the Quarter Ended March 31, 2012

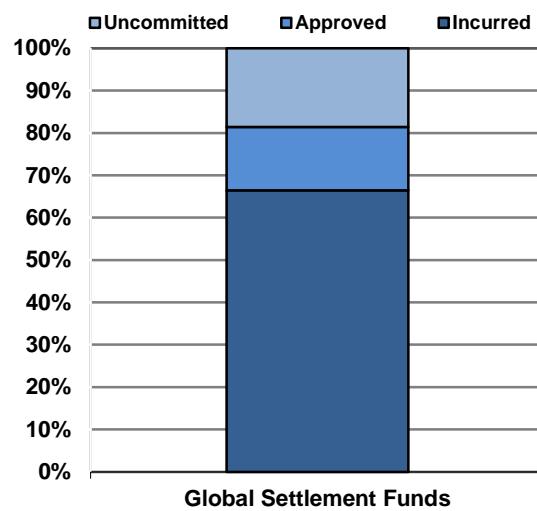
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The FINRA Investor Education Foundation supports innovative research and educational projects that give investors the tools and information they need to better understand the markets and the basic principles of saving and investing.

Executive Summary

During the first quarter of 2012, the FINRA Investor Education Foundation (Foundation) continued to support grant programs and targeted projects. The Foundation's Board of Directors (Board) did not meet during the quarter. However, through established off-cycle grant approval procedures, the Foundation approved one grant in the amount of \$33 thousand, of which \$23 thousand is eligible for Global Settlement Funds (Funds). The Foundation continued to distribute funds related to previously approved grants and targeted projects. In the first quarter of 2012, the Foundation incurred \$2.4 million in expenses payable from the Funds including \$2.3 million in grant and targeted project expenses and \$0.1 million in general and administrative expenses.

Since the receipt of the Funds by the Foundation, the Board has approved and/or committed \$44.8 million of the \$55.0 million, excluding interest, in total Funds. Of this amount, \$36.6 million has been disbursed from the Funds including \$34.1 million to pay grantees and project partners, and \$2.4 million to pay general and administrative expenses, which consist of program related (e.g., grant administration) and other costs of operating the Foundation. A balance of \$8.2 million remains currently approved and committed by the Board. Additional general and administrative expenses will be incurred on an ongoing basis each quarter.



Cumulative Expenses and Commitments from Global Settlement Funds

March 31, 2012	Cumulative-to-Date		
	Disbursed	Remaining Approved	Total Expenses & Commitments
Grant Programs ⁽¹⁾			
General Grant Program	\$ 8,032,961	985,347	\$ 9,018,308
Improving Disclosure to Investors	672,776	-	672,776
Life-Cycle Investing Program	429,574	-	429,574
Library Grant Program	3,475,447	562,023	4,037,470
United Way Grant Program	2,385,040	882,334	3,267,374
Investor Advocacy Clinic	813,750	236,250	1,050,000
Grant Programs Total	15,809,548	2,665,954	18,475,502
Targeted Projects			
Military Financial Education Project	8,184,018	1,615,772	9,799,790
Investor Protection Campaign	8,521,218	3,339,203	11,860,421
National Financial Capability Study	55,947	413,053	469,000
Teen Financial Literacy Project	1,512,797	169,094	1,681,891
Student Debt Project	42,000	-	42,000
Targeted Projects Total	18,315,980	5,537,122	23,853,102
General and Administrative			
Program Related	1,717,460	-	1,717,460
Other	717,933	-	717,933
General and Administrative Total	2,435,393	-	2,435,393
Total	\$ 36,560,921	\$ 8,203,076	\$ 44,763,997

(1) Grant Programs - Remaining Approved reflects any adjustments for either early termination of a grant or successful completion of a project for less than the original approved grant.

FINRA contributes services to the Foundation in the form of management oversight, program staff and certain administrative services including communications, legal, financial, tax and treasury. The value for these services, which are provided at no charge to the Foundation, is excluded from the previous table. For the quarter ended March 31, 2012, the value of the contributed services is estimated to be approximately \$0.9 million. FINRA will continue to provide such services at least until the Global Settlement Funds are fully disbursed. This contribution greatly reduces the administrative expenses incurred by the Foundation and maximizes resources devoted to the Foundation's mission.

FINRA's letter to the Court dated September 2, 2005, stated that FINRA would continue to fund the Foundation in the same proportion (1.9 percent) used in relation to FINRA's 2004 overall operating budget. To ensure compliance with this requirement, FINRA management, on at least an annual basis, reviews the balance of the FINRA-contributed funds as a percentage of FINRA's operating budget for a given year and determines whether the percentage continues to be at least 1.9 percent. Upon performing this review as of December 2011, management determined that the balance of the FINRA contributed-funds as a percentage of FINRA's operating budget exceeded the minimum requirement. Nonetheless, in December 2011, FINRA made a voluntary, cash contribution of \$1.5 million to the Foundation.

I. Summary of Activity in the First Quarter of 2012

The Foundation continues to support both grants and targeted projects. Board meetings for 2012 are scheduled for June 19, September 28 and December 11. As in prior years, during the first three quarters of 2012, the Foundation will accept and evaluate project concepts and grant applications to recommend to the Board. As such, the majority of the new grants and targeted project spending will be presented to the Board for approval in the third and fourth quarters of the year.

A. Grant Programs

In 2012, the Foundation is offering grants through four grant programs: the General Grant Program; Smart investing@your library®; Financial Education in Your Community; and the Investor Advocacy Clinic Grant Program. In addition to these ongoing grant opportunities, the Foundation is managing over 100 active grant projects, nearly half of which are scheduled for completion in 2012. Resources and research resulting from Foundation-funded projects are publicly available on the Foundation's website, www.finrafoundation.org.

- i. **General Grant Program** – Through our General Grant Program, the Foundation funds research and educational projects that support its mission of providing underserved Americans with the knowledge, skills and tools necessary for financial success throughout life. We offer rolling deadlines for submission of Project Concept Forms. Applicants whose projects most closely align with the Foundation's priorities are invited to submit a full grant proposal for consideration at one of the Foundation's Board meetings.

During the period covered by this report, the Foundation's Funding Request Committee reviewed and approved one funding request from George Washington University in the amount of \$33,000. The Funding Request Committee—comprising the Chairman and one Public Board member—has the power and authority of the Board of Directors to review, evaluate and approve grants outside of a planned Board meeting in an amount greater than \$10,000 but less than \$100,000. The project had been discussed at the December 13, 2011 Board meeting, during which directors expressed interest in the project's potential benefits and advised the staff to engage the applicant in further development of the project.

The committee approved the request on January 27, 2012. A summary of the approved project is included in Exhibit A, Attachment 1.

Foundation staff reviewed 47 project concepts received in time for June consideration. Following preliminary review, two applicants were invited to submit full proposals. The Foundation Board will meet in June to review the single full proposal received by the deadline. A full matrix of project concepts and proposals approved and declined will be included in the second quarter report following Board selection. Staff continued to accept additional project concepts that will be reviewed in the second quarter and considered at the September Board meeting.

The Foundation also continued to provide ongoing assistance and oversight for 12 existing education¹ and research² projects previously approved under the General Grant Program and specific Requests for Proposals. Four of these projects reached a successful conclusion during the first quarter of 2012, including delivery, review and approval of final milestone reports. Examples of achievements by these grantees include the following:

- With Hispanic media partners, the ASPIRA Association conducted a nationwide social marketing campaign to communicate the importance of investing and wealth creation to Latinos in the United States and Puerto Rico. The project—*Expanding Hispanic Communities' Awareness of the Importance of Financial Investment: A Cultural Change Management Process*—also extended the capacity of Hispanic community- and faith-based organizations to deliver investor education workshops and facilitate the achievement of personal and family financial goals. Arbitron ratings for radio stations airing the campaign messages showed a combined audience of nearly 20 million Hispanic adults. Twenty-nine radio stations in Puerto Rico aired two different PSAs reaching approximately 2.5 million adults ages 21 to 65. Nielsen data for the 93 television stations broadcasting the PSAs show an estimated reach of 25 million Hispanics. Ten print articles prepared under the grant have been published in 26 newspapers and magazines with a combined circulation of 228,568. During the grant term, ASPIRA distributed copies of the Spanish-language Investments curriculum to over 400 Latino-serving nonprofit organizations nationwide, and 123 organizations participated in group or individual train-the-trainer sessions. The project also launched a presence on Facebook, regularly featuring articles and links to stories and videos about the importance of investing. Through the project ASPIRA, Univision, and other media outlets developed strong partnerships that are continuing beyond the grant term.
- Researchers from Innovations for Poverty Action investigated the extent to which “commitment contracts” improve the financial well-being of low-income individuals in a project entitled, *Evaluating the Effectiveness of Commitment Savings and Debt Reduction Contracts*. Based on behavioral finance, commitment contracts help clients

¹ Descriptions of educational grants funded by the Foundation through the General Grant Program are available at www.finrafoundation.org/grants/awarded/education/. During the first quarter of 2012, active education grants included: Aspira Association; First Nations Development Institute; Michigan 4-H Foundation; National Council on Aging; National Labor College; University of Tennessee; and Women’s Institute for a Secure Retirement. In addition, we executed a grant agreement with Operation HOPE for an educational project that will become active in the second quarter of 2012.

² Descriptions of research grants funded by the Foundation through the General Grant Program are available at www.finrafoundation.org/grants/awarded/research/. During the first quarter of 2012, active research grants included: George Washington University; Innovations for Poverty Action; North Carolina State University; Ohio State University Research Foundation; and United Negro College Fund (UNCF) Special Programs Corporation.

acquire the discipline to reach self-defined goals. Nonprofit asset-development organizations helped researchers facilitate randomized controlled field experiments that yielded promising findings for both debt-reduction contracts and savings contracts. The grant resulted in working papers and research briefs (www.finrafoundation.org/resources/research/index.htm)—and the grantee reports that it has expanded its study of commitment contracts beyond the work funded by the Foundation.

The other two projects reaching completion—the Michigan 4-H Foundation’s educational effort in collaboration with 4-H and USDA cooperative extension networks titled *4-H Build a Million Club* and the *Nurses Investor Education Project* by the Women’s Institute for a Secure Retirement (WISER)—are continuing to distribute the materials developed with Foundation funding.

- ii. **Smart investing@your library[®]** – The Foundation’s grantmaking collaboration with the American Library Association (ALA) is designed to support community-level financial and investor education and assistance through public libraries and library networks nationwide. The ALA partnership enables technical assistance in the areas of project management, communications, evaluation and marketing for all participating sites.

Throughout the quarter, Foundation and ALA staff continued to provide support and oversight for active library grant projects.³ This includes site visits to selected grantees and day-to-day stewardship and technical assistance. Ten library grant projects reached completion in the quarter.⁴ A summary of two of these projects follows:

- Houston Public Library partnered with the University of Houston and community organizations to offer a bilingual financial education series (from money basics to investing fundamentals) for the city’s English and Spanish speaking families. During the course of the project, the library established partnerships with a variety of non-profit organizations to provide 276 live programs throughout Houston for 3,988 adult and youth participants. These programs included financial basics for children and teens, topics from the FINRA Foundation’s investor education modules and the FDIC Money Smart curriculum for adults, and intergenerational financial literacy sessions and activities for Houston’s families. Approximately 80 percent of participants rated the programming helpful or very helpful, and 84 percent identified new personal financial goals as a result of the programming. The library also recorded selected sessions for broadcasting on local television outlets and distribution through circulating DVDs for customer check-out, and trained staff on financial reference tools and online resources. Over 90 percent of participating staff indicated that the training increased their ability to help customers navigate financial literacy resources and materials. The library hosted a media event with participation by the library director, city controller, and a representative of the Federal Reserve Bank of Dallas, and a number of other community outreach events. Finally, the library conducted a comprehensive marketing

³ Descriptions of Smart investing@your library[®] grant awards are available on the Foundation’s website at www.finrafoundation.org/grants/awarded/library/ and on the ALA’s website at www.smartinvesting.ala.org.

⁴ The following Smart investing@your library[®] grants concluded during the quarter: Bolivar County Library System (MS); Chesapeake Public Library (VA); Curtis Memorial Library (ME); Estes Valley Library (CO); Georgetown County Library (SC); Greensboro Public Library (NC); Houston Public Library (TX); Middle County Public Library (NY); Pike County Public Library District (KY); and Virginia Beach Public Library (VA).

campaign that included television and web PSAs, social media outreach, distribution of program materials through eight Spanish-language agencies across the city, and transit advertising on 900 Metrobuses. The project web pages are available at www.houstonlibrary.org/moremoney.

- Georgetown County Library and its partners educated the community about money matters through a series of creative, multimedia activities referencing the county's economic history and appealing to the different learning styles and interests of residents of all ages. During the course of the grant, the library established personal finance depository collections at 14 sites, including the county detention center, area childcare centers, the county Board of Disabilities and Special Needs, the Marine Institute for Delinquent Youth, and the Tara Hall Home for endangered boys. The library provided financial literacy classes for students at the Marine Institute and Tara Hall, with university faculty leading discussions about money management, investing in stocks and bonds, banking, credit, and saving for life goals. The team also organized four workshops for childcare providers and interested parents in partnership with Clemson Extension, and conducted monthly financial education game time nights, which were particularly popular with African-American teens. As part of its "Great Depression" project, the library engaged teen videographers to conduct interviews of senior citizens to learn about and explain what it means to survive during difficult economic times. The teens received tutorials on financial fitness, conducted interviews, and contributed to the creation of a community-wide documentary about managing money. The effort received extensive attention in the county. Through a public lecture series, the library explored topics such as exchange traded funds, investing techniques for a recovering market, an analysis of economic indicators, and economic recovery in the long run. The faculty participants also staffed an "Ask the Experts" booth at the library's financial fitness parties and provided one-on-one assistance to hundreds of Georgetown residents. Finally, the library offered Quicken workshops to help residents use the financial management software and to address their personal finance questions in the process. These workshops proved very popular with library patrons, the vast majority of whom (93 percent) reported that the workshops changed the way they approached their personal finances, particularly with regard to record-keeping and tracking expenses. The Georgetown project was recognized by the South Carolina Association of Counties with the J. Mitchell Graham Award for outstanding achievement.

For the projects approved at the December 2011 Board meeting, the Foundation executed 16 new grant agreements during January and February. The Foundation convened representatives from all 16 sites for a training seminar in Dallas in conjunction with ALA's mid-winter conference. The training focused on project evaluation, marketing, communications and grants management, and featured case studies by past, successful grantees. A grant agreement for one project approved by the Board in December—Niles District Library in Michigan—was not executed, because the library director experienced a serious illness and was unable to undertake the proposed project. No funds were disbursed for this grant.

In March, the Foundation and ALA began issuance of invitations for round six funding under Smart investing@your library®. For the first time, and in response to the Board's suggestions, the invitation list included community college libraries.

- iii. **Financial Education in Your Community** – The Foundation's partnership with United Way Worldwide (UWW) is designed to build the capacity of regional and local community-based organizations to meet the financial education needs of underserved working

individuals and families.

During the quarter, the Foundation finalized agreements with the 12 grantees approved in December 2011. On March 15–16, the project leaders, along with their primary partners, met for a training workshop at UWW headquarters in Alexandria, Virginia. The workshop provided an opportunity for grantees to form a peer network and to develop their skills and knowledge around providing effective and engaging financial education in their communities. The training focused on grants management and core competencies, including: social marketing; principles of adult learning; elements of successful financial education; and assessment and outcomes-based evaluation. Following the training, grantees received a toolkit developed by the Foundation containing learning materials and resources.

The workshop received high ratings from participants, many of whom expressed a desire to continue sharing experiences, learning new information pertinent to their work and staying connected to one another. To that end, UWW and the Foundation planned four webinars during the calendar year. Each webinar will be 90 minutes long and include two parts. The first portion will provide information on a specific topic, and the second half will enable participants to share their experiences, questions, challenges, resources and ideas. The first webinar, “Recruiting Clients, Volunteers and Other Partners,” will be held in the second quarter. United Way and the Foundation will continue to encourage peer-to-peer communication and provide individual assistance to all active grant sites.

Throughout the quarter, Foundation and UWW staff also provided project oversight and ongoing technical assistance to the three dozen organizations receiving grants since the program launched in 2009,⁵ while preparing for April issuance of invitations to apply for the next round of funding. Five projects reached successful conclusion in the quarter.⁶ For example:

- The RISE Foundation in Memphis, Tennessee delivered its Common Cents and Making Cents workplace financial education programs for the staff members of non-profit organizations that partner with the United Way of the Mid-South. The education series began with basic money management—including budget development and goal setting—and presented an overview of the concepts needed to build personal wealth. During the grant period, RISE marketed the program to over 50 United Way partner agencies and conducted three orientation meetings in which 30 agencies participated. Further, RISE delivered the basic course, to the staff of 28 United Way partner agencies reaching 574 employees; they went on to deliver the second course to 155 individuals who had completed the basic course. RISE added evening and two Saturday classes each month to accommodate employee schedules. The final evaluation report indicated that, after completing the workshops, participants were significantly less likely to experience stress due to financial worries and reported higher satisfaction with their personal financial situation.

⁵ Descriptions of Financial Education in Your Community grant awards are available on the Foundation’s website at <http://www.finrafoundation.org/grants/awarded/community/>.

⁶ The following Financial Education in Your Community grant projects reached completion during the quarter: Appalachian Community Enterprises (GA); RISE Foundation, Inc. (TN); United Way Capital Area–Austin (TX); United Way of Central and Northeastern Connecticut (CT); and United Way of the Midlands (NE).

iv. **Investor Advocacy Clinic Grant Program** – The Investor Advocacy Clinic Program provides start-up funding and assistance to law schools that are well-positioned to establish clinics offering legal advice and other help for underserved investors. There are six law schools operating clinics⁷ across the country serving the investing public, counseling small investors, representing those with viable claims and educating the general public about investments and how to avoid financial fraud.

The clinics collectively have received over 250 inquiries as of the end of the spring semester, the vast majority of which were successfully resolved through client counseling. They have filed 13 cases for arbitration. Of these, two proceeded to arbitration, one was successfully mediated, five settled before the hearing and five are pending. The schools have also continued to offer community education events.

Updates from each clinic for the first quarter of 2012 include the following:

- **Florida International** prepared to arbitrate a case involving a Hispanic immigrant with limited English-speaking skills who was sold a variable annuity by a non-Spanish-speaking broker. The clinic conducted outreach to hospital workers, senior citizens and college students.
- **Howard University** accepted three new cases for representation. They involved the sale of an annuity, an investment in a potential Ponzi scheme and the sale of mutual fund shares without appropriate disclosures regarding the fees associated with the transaction. The clinic made investor protection presentations to senior citizens and college students. Howard also received two financial donations for the clinic. The first came from an appreciative client who recovered potential losses after being represented by the clinic. The second donation was offered by a corporation interested in supporting the clinic's efforts to serve investors.
- **Pepperdine** successfully mediated one case and obtained arbitration awards in two cases for its clients. The claims involved amounts ranging from \$29,000 to \$51,000 and involved suitability, unauthorized trading and misrepresentation. The clients were able to recover virtually all the alleged losses. Students continued presenting the *Trick\$ of the Trade: Outsmarting Investment Fraud* material in the Los Angeles area.
- **Suffolk** settled two matters, recovering \$14,000 and \$35,000 for the investors. The two clients are a disabled retiree who was sold an unsuitable investment with no disclosure of the risks involved and a 79-year-old retiree sold an annuity. The clinic also began participation in a program sponsored by a local bar association that focuses on high school students around Boston.
- **Seton Hall** prepared to file an arbitration case. Participating students conducted several educational sessions for investors covering investment principles and avoiding financial fraud. One of the sessions was cosponsored by the Center for Economic and Financial Literacy and the Center for Successful Aging of the Richard Stockton College in New Jersey.
- **University of Miami** began its first semester of operations with 8 students and began community outreach to schedule educational sessions for investors in the Miami area.

⁷ Descriptions of Investor Advocacy Clinics grant awards are available on the Foundation's website at <http://www.finrafoundation.org/grants/awarded/advocacy/>. All six remained active during the quarter, with five receiving milestone-related payments during the quarter.

During the first quarter, the Foundation also solicited proposals for a third round of funding, to come before the Board in June.

B. Targeted Projects

The Foundation supports four previously-approved targeted projects: the Military Financial Readiness Project; the Investor Protection Campaign; the National Financial Capability Study; and the Teen Financial Literacy Project. Additional projects may be considered throughout the year.

- i. **Military Financial Readiness Project** – We continued using research, partnerships and outreach to deliver high-quality information and tools to the military. In the first quarter, the Foundation conducted 25 military financial education forums in Korea, Japan, California, the District of Columbia, Virginia and West Virginia, reaching nearly 3,000 service members, spouses and military children. All segments of the military community were served by these forums, including Warriors in Transition, National Guard and Reserve members and active-duty personnel separating into veteran status as a result of the military drawdown. Our activities elicited numerous letters of appreciation from commanders regarding the forums and their effectiveness.

This outreach complemented other financial education activities in the quarter. Our funding of Military Saves enabled that grassroots awareness campaign to sign up 19,484 “savers” in February leading up to Military Saves Week (February 19-26, 2012). In addition, by the end of the first quarter, our funding of BBB Military Line (a project of the Better Business Bureau) resulted in delivery by more than two dozen local BBBs nationwide of a co-branded fraud workshops to nearly 1,800 military members. BBB Military Line also distributed more than 2,000 financial education toolkits and 4,800 copies of *Money and Mobility*, the Foundation’s comprehensive resource guide to help service members and their families manage the financial impact of duty station changes.

In March, in collaboration with multiple partners, we opened the application period for the 2012 Military Spouse Fellowship. (As reported in prior quarters, the fellowship provides military spouses with the training they need to earn the Accredited Financial Counselor® (AFC®) designation. This accreditation, in turn, equips military spouses with marketable job skills and the resources and expertise they need to help military families overcome financial obstacles.) While visiting installations within the Navy Southwest and Marine Corps Installations West region in March, we convened a small group of the Foundation’s Military Spouse Fellows to obtain feedback on the program and provide networking opportunities for fellowship recipients. Meanwhile, participants in the spouse fellowship program—many of whom serve in significant positions throughout the military community and are being publicly acknowledged for their work—continued to conduct outreach in their communities. During the first quarter of 2012, fellows conducted: 4,220 one-on-one counseling sessions; 209 group counseling sessions reaching 1,391 clients; and 370 classes reaching 5,727 individuals.

We also supported distribution of the myFICO® credit score management and education tool to more than 19,000 military service members. The tool is offered to active duty service members and their spouses at Foundation forums and by military financial educators, counselors, relief societies and the National Guard Bureau, both in face-to-face counseling and through classroom instruction. This program is routinely praised by military financial educators in the field as an effective and valuable tool.

Other activities in the quarter, carried out in collaboration with a variety of consultants, included: daily engagement with the project's target audience of service members, military spouses and military financial educators through social media; creation and monthly delivery of a military-focused newsletter to nearly 13,000 subscribers; production of new short-subject "how to" videos for the National Guard Bureau; preparation for distribution of teen financial literacy posters and videos to the Department of Defense Education Activity's 194 schools; preliminary design and development work for a national public awareness campaign to be launched in the second quarter of 2012; coordination with the Armed Forces Radio and Television Service to assure airing of the project's public service announcements on the American Forces Network's airing of the Super Bowl; and outreach to reporters and media outlets to raise awareness of the Foundation's financial education forums, Military Saves Week, the opening of the spouse fellowship application period, the financial challenges of military families (featuring five of our spouse fellows) and the project in general. This latter earned media activity yielded 19 unique news stories in an array of media outlets such as CNNMoney.com, Military.com, MilitaryAvenue.com, ArmyTimes.com, NavyTimes.com and News Channel 8 (Washington, DC).

- ii. **Investor Protection Campaign** – The Foundation's research-based campaign is intended to help investors understand how they might be susceptible to investment fraud and to replace risky investment behaviors with fraud detection and prevention behaviors.

Much of the first quarter was spent executing agreements and planning for new national partnerships with the Council of Better Business Bureaus, the National White Collar Crime Center and the Fraud Fighter Call Centers. We continued to support research that will advance our understanding of investment fraud and ways to combat it. The Financial Fraud Research Center, a joint initiative of the Foundation and the Stanford Center on Longevity, worked to develop a white paper tentatively entitled "Frauds, Scams and Swindles: A Review of the Research on Financial Fraud," while expanding the research available through the fraud center website, www.fraudresearchcenter.org. Separately, Stanford Professor Brian Knutson moved forward with research that employs historical, psychological and neural methods to analyze individual differences in susceptibility to investment fraud. We expect the results, due in 2013, to improve our understanding of investment fraud victims and generate interest from the national media.

With support of our partners, we reached more than 2,200 consumers, law enforcement professionals and college athletes in the quarter with the Outsmarting Investment Fraud curriculum. This includes two consumer events coordinated in Arizona with state partners, the SEC and FINRA's Office of Fraud Detection and Market Intelligence, as well as a law enforcement training program held in collaboration with the Arizona Crime Prevention Association. Our efforts garnered media coverage in the state and yielded a call-in program with the local ABC television affiliate. Also among the presentations were two made at the invitation of (but with no distribution of funds to) the National Football League for prospective professional football athletes, and a number of community events in Florida, Maine, Minnesota, Vermont, Virginia and Washington State. The Foundation—with support from a variety of public relations consultants—continued to distribute print resources, publish a series of fraud prevention articles through the North American Precis Syndicate (NAPS) and to pursue earned media opportunities. Finally, we analyzed data from prior advertising campaigns and began preparations for an online paid media campaign set to launch in the second quarter.

- iii. **National Financial Capability Study** – The National Financial Capability Study (NFCS) assesses the financial capability and literacy of U.S. adults. On November 8, 2011, the President's Advisory Council on Financial Capability, approved a recommendation that the Department of Treasury and other agencies consult on the development, fielding and dissemination of data from the 2012 NFCS. The research team and Foundation staff have since held numerous meetings with government agencies, non-profit organizations, military stakeholders and research think-tanks to review and update the questionnaires. The second wave—comprised of a state-by-state survey and a military-specific survey—will go to the field beginning in July. Based on a prior recommendation by FINRA's Internal Audit Department, the Foundation obtained membership in the American Association for Public Opinion Research (AAPOR) and is using AAPOR's disclosure standards as a model for future work.
- iv. **Teen Financial Literacy Project** – *Generation Money: Improving the Financial Literacy of America's Teens* is a collaborative effort among the Foundation, the Consumer Federation of America and Channel One, which serves as the chief communications provider. The project addresses the personal finance topics that are most important for teens to understand and use in everyday situations as they begin to assume financial responsibility in their lives. This campaign includes several, integrated components: classroom materials for display and instruction; public service announcements (PSAs); broadcast news segments; on-demand video; web-based interactives; and learning resources for students and teachers. Over the winter, the project partners initiated another season of programming, reaching approximately 5 million students in 7,200 middle and high schools. The project produced and aired a new animated PSA following the theme of earlier animations featuring the twins Taylor and Tyler and their experiences with money decisions relevant to the lives of teens. The latest PSA emphasized the importance of creating and following a budget and the consequences of financial mismanagement. The team also added new lesson plans, blog posts, classroom discussion guides and other content to the project website (www.channelone.com/generationmoney). The lesson plans are all standards-based and explore the mathematics of personal finance. The site also provided access to all broadcast segments and PSAs. The third-party evaluator for the project began an analysis of the year's work. The evaluation compares pre-campaign to post-campaign assessments and attitudes among participating students, and benchmarks the treatment group against a nationally representative control group composed of students from non-Channel One schools.

A summary of grants and projects approved and declined in the quarter is included as Exhibit A. The Foundation Board did not meet during the quarter ended March 31, 2012. However, one grant was approved by the Funding Committee. No grants or targeted projects were declined during the first quarter.

II. Strategic Plan for Upcoming Quarter

The Foundation will continue efforts to support existing grant projects and targeted projects throughout the second quarter.

A. Grant Programs

During the next scheduled Board meeting on June 19, the Board will consider one General Grant proposal, two Smart investing@your library® renewal grant proposals and three Investor Advocacy Clinic proposals. A full matrix of project concepts and proposals approved and

declined will be included in the second quarter report following Board selection. The Foundation will continue to accept and review new General Grant Program project concepts and Smart investing@your library® proposals for consideration in the fall. In April, we will invite community-based nonprofit organizations to apply for a Financial Education in Your Community grant. Proposals invited and submitted during the second quarter will be brought to the Board at one of two meetings scheduled for the third and fourth quarters. Staff will also continue to provide oversight and assistance to previously approved grant projects. An effort to evaluate overall program effectiveness and to gain an understanding of the impact of the American Library Association and United Way partnerships at both the national and local levels is ongoing. Throughout the year, Foundation and partner staff will conduct site visits, focus groups and in-depth telephone interviews with grantees and their clients. In addition, the law schools operating clinics across the country will continue to serve the investing public through active counseling, representation and education of investors.

B. Targeted Projects

- i. **Military Financial Education Project** – In the second quarter, we will continue to collaborate with partners to accomplish the initiatives outlined in the 2012 plan. In partnership with the Association for Financial Counseling and Planning Education, we will review applications for another round of Military Spouse Fellows in May and will select finalists in June. We also will continue to offer the myFICO® tool through personal finance managers and counselors. In partnership with BBB Military Line, we will begin distribution of materials through USO facilities at three airports and six Army posts. Other activities in the quarter will include production of new short-subject "how to" videos for the National Guard Bureau, and distribution of teen financial literacy posters and videos to the Department of Defense Education Activity's 194 schools. Finally, we will complete planning of and initiate a targeted advertising campaign to inform more military families of the tools and resources available on the project website, and we will continue our ongoing efforts to engage our target audience through social media, earned media and newsletter outreach.
- ii. **Investor Protection Campaign** – The Foundation will pursue important milestones relating to research, outreach and partnership development. The Council of Better Business Bureaus (CBBB) will begin to actively promote important fraud prevention messages through a series of Financial Literacy Month (April) blog and email communications, as well as distribution of *Fighting Fraud 101* brochures at shredding events. We will also host two pilot BBB Outsmarting Investment Fraud training sessions in June, while planning for a series of trainings with BBB affiliates nationwide in the third quarter. A network of volunteer-staffed Fraud Fighter Call Centers—three managed by the AARP Foundation, and one operated by the National Telemarketing Victim Call Center—will begin calling consumers with fraud prevention messages starting in April. These calls will continue throughout the year. Joint training sessions will be held with three, geographically-dispersed FINRA District Offices and SEC Regional Offices in May and June. These trainings will serve as pilots as we refine how best to engage regulators and equip them with consumer outreach materials and messages. We will also coordinate with the Financial Fraud Research Center, continue planning a law enforcement training program with the National White Collar Crime Center and begin preliminary research on a casual video game with the D2D Fund. We expect to host one investor forum in Charlotte, NC and to participate in a number of other, low-cost investor events. Our grassroots partners will continue to deliver the Foundation's fraud prevention materials and messages in communities across the country. Finally, we will prepare for and initiate a multi-month, online advertising campaign.

- iii. **National Financial Capability Study** – The second wave of the National Financial Capability Study (NFCS) will go to the field beginning in July. In preparation, we will continue to consult with Treasury and other agencies on the development of the revised questionnaire. The Foundation will collaborate with the George Washington University School of Business to host a roundtable event in May, during which academics and policymakers will discuss research based on the 2009 NFCS data and will provide input on the 2012 study. The Board will consider at the June meeting whether to permit the Foundation to work with the RAND Corporation to run the NFCS through a segment of the American Life Panel, and to work with the Department of Defense to draw a sample of military respondents from the Defense Manpower Data Center. In addition, the Foundation will complete and release a new study titled *In Our Best Interest: Women, Financial Literacy and Credit Card Behavior*, based on data from the 2009 National Financial Capability Study.
- iv. **Teen Financial Literacy Project** – Throughout the second quarter, the Foundation and its partners will continue to implement the *Generation Money* campaign. We will distribute additional compound interest posters, air PSAs and promote online content, including classroom resources and teaching aides. The project team will engage a third-party research company to host online surveys and recruit nationally representative samples of teens to measure project impact. We expect results in the third quarter.

C. Administrative Matters

- i. **Grants Administration** – In June, the Foundation will complete the final phase of extracting grants information from a database made available to us by the National Endowment for Financial Education (NEFE). To complete this process, the Foundation will directly contract with a grants database vendor.

By way of background, when the Foundation first became involved in grantmaking (prior to receipt of Funds), it contracted with NEFE to assist with grants administration, including review of general grant proposals as well as access to and maintainance of a records database operated by a third-party vendor. As the Foundation's experience with these processes developed and matured, our need for NEFE's assistance diminished. By mutual agreement, NEFE no longer is involved with the review of general grant project concepts or proposals, and as of June 30, the Foundation will contract with the same grants database vendor NEFE uses and migrate Foundation data to a separate grants management database. The costs of this change, both near-term and ongoing, will be negligible, and the result will be increased operational efficiency.

III. Accounting of Receipts and Expenses for Global Settlement Funds

In the first quarter of 2012, the Foundation incurred \$3.4 million in expenses of which \$2.4 million was allocated from Global Settlement Funds and \$1.0 million allocated from FINRA Funds. The following table presents the portion of receipts and expenses applicable to the Global Settlement Funds for the quarter ended March 31, 2012.

	2012				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Receipts and Receivables:					
Contributions Received from Global Settlement Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Income ⁽¹⁾	631	-	-	-	631
Total Receipts and Receivables	631	-	-	-	631
Expenses:					
Grant Programs ⁽²⁾					
General Grant Program	285,867	-	-	-	285,867
Library Grant Program	495,643	-	-	-	495,643
United Way Grant Program	740,522	-	-	-	740,522
Investor Advocacy Clinic	218,750	-	-	-	218,750
Grant Programs Total	1,740,782	-	-	-	1,740,782
Targeted Projects					
<i>Military Financial Education Project</i> ⁽³⁾					
a. Research					
Topic and Audience Research	-	-	-	-	-
Research Sub-Total	-	-	-	-	-
b. Educational Programs and Partnerships					
Website and Online Tools	115,247	-	-	-	115,247
Personal Financial Manager Programs	-	-	-	-	-
Military Spouse Programs	29,085	-	-	-	29,085
Partnerships	-	-	-	-	-
Educational Programs and Partnerships Sub-Total	144,332	-	-	-	144,332
c. Outreach Campaign					
Paid Media and Public Awareness	15,310	-	-	-	15,310
Public Relations and Other Consultants	67,518	-	-	-	67,518
Materials Production and Distribution	41,627	-	-	-	41,627
Forums, Events and Travel	27,008	-	-	-	27,008
Outreach Campaign Sub-Total	151,463	-	-	-	151,463
Military Financial Education Project Total	295,795	-	-	-	295,795
<i>Investor Protection Campaign</i> ⁽⁴⁾					
a. Research					
Financial Fraud Research Center	-	-	-	-	-
Topic and Audience Research	30,438	-	-	-	30,438
Research Sub-Total	30,438	-	-	-	30,438
b. Educational Resources and Programs					
Website and Online Tools	-	-	-	-	-
Curriculum and Documentary - Outsmarting	1,575	-	-	-	1,575
Investment Fraud	-	-	-	-	-
Training Programs	-	-	-	-	-
Educational Resources and Programs Sub-Total	1,575	-	-	-	1,575
c. Outreach Campaign					
Paid Media and Public Awareness	4,950	-	-	-	4,950
Public Relations and Other Consultants	82,833	-	-	-	82,833
Outreach Partnerships	80,500	-	-	-	80,500
Materials Production and Distribution	10,985	-	-	-	10,985
Forums, Events and Travel	27,196	-	-	-	27,196
Outreach Campaign Sub-Total	206,464	-	-	-	206,464
Investor Protection Campaign Total	238,477	-	-	-	238,477
<i>National Financial Capability Study</i> ⁽⁵⁾					
1,523	-	-	-	-	1,523
<i>Teen Financial Literacy Project</i> ⁽⁶⁾					
62,589	-	-	-	-	62,589
Targeted Projects Total	598,384	-	-	-	598,384

Accounting of Receipts and Expenses for Global Settlement Funds (continued)

	2012				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
General and Administrative					
<i>Program Related</i>					
Grant Administration ⁽⁷⁾	41,730	-	-	-	41,730
Marketing and Advertising ⁽⁸⁾	-	-	-	-	-
<i>Program Related Sub-Total</i>	41,730	-	-	-	41,730
<i>Other</i>					
Contract Services ⁽⁹⁾	11,328	-	-	-	11,328
Travel and Meetings ⁽¹⁰⁾	7,133	-	-	-	7,133
Postage, Printing and Other ⁽¹¹⁾	23,075	-	-	-	23,075
<i>Other Sub-Total</i>	41,536	-	-	-	41,536
General and Administrative Total ⁽¹²⁾	83,266	-	-	-	83,266
Total Expenses	\$ 2,422,432	\$ -	\$ -	\$ -	\$ 2,422,432

- (1) Dividend Income reflects income earned on the Global Settlement Funds, which are invested in a U.S. treasury fund consistent with the terms of the Settlement.
- (2) Grant Programs consist of expenses related to grants to other organizations approved by the Foundation's Board. These grants align with the Foundation's strategic priorities. They are paid in installments based on the achievement of project milestones or adequate progress toward deliverables. Unspent grant funds remaining at the conclusion of the grant term are returned to the FINRA Foundation. For more detail concerning payments to individual grantees, please see Exhibit B.
- (3) Military Financial Education Project consists of costs related to ongoing outreach and programs to help military service members and their families manage their money with confidence.
- (4) Investor Protection Campaign consists of expenses related to research, education and outreach to help investors learn to spot and avoid investment fraud.
- (5) National Financial Capability Study is composed of costs related to a survey of financial capability and literacy of adults in the United States.
- (6) Teen Financial Literacy Project consists of costs related to Generation Money: Improving the Financial Literacy of America's Teens. This is conducted in partnership with the Consumer Federation of America and Channel One News as the chief service provider to reach approximately 5 million middle and high school students with multimedia programming.
- (7) Grant Administration expenses consist of costs for the United Way, the American Library Association and the National Endowment for Financial Education for support services provided to the Foundation in developing, administering and maintaining grant programs. This includes providing day-to-day administrative support to Foundation staff, as well as reviewing grant proposals, assisting with evaluation, conducting training for grantees and providing communications services.
- (8) Marketing and Advertising consist of fees for advertisements publicizing the Foundation's grant opportunities to prospective applicants.
- (9) Contract Services consist of recurring legal, audit and consulting costs.
- (10) Travel and Meetings consist of related expenses incurred in managing active grant projects, attending symposia and meeting with prospective grant applicants as well as Board member travel.
- (11) Postage, Printing and Other consist of general administrative postage, storage and shipping costs, printing and publications costs, investment custody fees and miscellaneous expenses.
- (12) FINRA contributes services to the Foundation in the form of management oversight, program staff and certain administrative services, including communications, legal, financial, tax and treasury. The value of these services, which are provided by FINRA at no charge to the Foundation, is excluded from the table. For the quarter ended March 31, 2012, the value of the contributed services is estimated to be approximately \$0.9 million.

**FINRA Investor Education Foundation
Report to the SEC of the Global Settlement Funds
For the Quarter Ended March 31, 2012**

**Exhibit A, Attachment 1
Approved Grants and Targeted Projects**

General Grant Program, Grants Approved						
Project Type	Organization	Amount Approved	Project Term	Title/Description	Key Priorities Addressed	Date Approved by Board
Combination	George Washington University	\$33,000	6 mos.	<i>Workplace Financial Education for Newly Hired Workers:</i> George Washington University and North Carolina State University faculty will prepare a brief report describing cost-effective strategies that employers can pursue to encourage new employees to save for retirement. The report will be based on primary research, now completed, funded over a two-year period by the Social Security Administration. The report is slated for completion by August 31, 2012. It will have a practical orientation that bridges research and practice. As such, we anticipate it will gain the attention of human resources professionals and be useful to the President's Advisory Council on Financial Capability. The project timeline aligns with the Council's work and has the potential to inform its deliberations and recommendations.	Advance practice, policy and thought in the fields of investor education and protection Provide examples of how to inform and assist local audiences about essential financial and investor education issues	January 27, 2012

Exhibit A, Attachment 2
Grant Proposals and Project Concepts Declined

The full Foundation Board did not meet in the quarter. The Board will meet in June to review proposals and project concepts received by the deadline. A full matrix of project concepts and proposals approved and declined will be included in the second quarter report following Board consideration.

Exhibit B
Detail of Grant Payments for Global Settlement Funds
for the Quarter Ended March 31, 2012

	Year Approved	Approved Amount	2012				
			Q1	Q2	Q3	Q4	YTD
Grant Programs⁽¹⁾							
General Grant Program							
Aspira Association-Expanding Awareness	2009	417,864	\$ 83,567	\$ -	\$ -	\$ -	\$ 83,567
First Nations Development Institute (2010)	2010	363,436	54,515	-	-	-	54,515
Operation Hope	2011	160,440	31,965	-	-	-	31,965
University of Tennessee (2011)	2011	232,425	46,485	-	-	-	46,485
Women's Institute for a Secure Retirement	2006	346,675	69,335	-	-	-	69,335
General Grant Program Sub-Total			285,867	-	-	-	285,867
Improving Disclosure to Investors							
Library Grant Program							
Ada County Free Library District	2011	48,300	24,150	-	-	-	24,150
Albany County Public Library (2011)	2011	20,860	10,430	-	-	-	10,430
Boone County Public Library	2011	70,000	35,000	-	-	-	35,000
Brooklyn Public Library (2011)	2011	70,000	35,000	-	-	-	35,000
Chesterfield Public Library	2010	57,120	28,560	-	-	-	28,560
Dakota County Public Library	2011	48,659	24,330	-	-	-	24,330
Delaware County Library System	2011	68,229	34,115	-	-	-	34,115
Fairfield Public Library	2011	35,049	17,525	-	-	-	17,525
Genesee District Library	2011	64,050	32,025	-	-	-	32,025
Greenville County Library System (2011)	2011	46,428	23,214	-	-	-	23,214
Martin County Library System	2010	31,538	15,769	-	-	-	15,769
Martinsburg-Berkeley County Public Libraries	2010	55,692	27,846	-	-	-	27,846
Monroe County Public Library	2010	55,707	27,854	-	-	-	27,854
Niles Public Library District	2011	15,228	7,614	-	-	-	7,614
Pelham Public Library	2010	61,982	30,991	-	-	-	30,991
Pioneer Library System (2011)	2011	40,577	20,288	-	-	-	20,288
Richland County Public Library	2011	54,950	27,475	-	-	-	27,475
Seekonk Public Library	2011	69,173	34,586	-	-	-	34,586
State Library of Iowa (2011)	2011	50,707	25,353	-	-	-	25,353
Virginia Beach Public Library	2009	36,334	(21,455)	-	-	-	(21,455)
York County Library System (2011)	2011	69,945	34,973	-	-	-	34,973
Library Grant Program Sub-Total			495,643	-	-	-	495,643
United Way Grant Program							
Ariva, Inc.	2011	52,591	26,296	-	-	-	26,296
Capital Area United Way	2011	98,041	49,021	-	-	-	49,021
Central New Mexico Community College Foundation	2011	103,565	51,783	-	-	-	51,783
Montana State University Extension	2010	21,788	10,894	-	-	-	10,894
Santa Cruz Community Ventures	2010	105,000	52,500	-	-	-	52,500
United Way of Acadiana	2011	60,661	30,330	-	-	-	30,330
United Way of Central Ohio, Inc.	2011	67,265	33,633	-	-	-	33,633
United Way of Fairfield County	2011	17,810	8,905	-	-	-	8,905
United Way of Greater Chattanooga	2010	105,000	52,500	-	-	-	52,500
United Way of Greater Cincinnati	2011	105,000	52,500	-	-	-	52,500
United Way of Greater Kansas City	2010	105,000	52,500	-	-	-	52,500
United Way of Inland Valleys	2011	61,369	30,685	-	-	-	30,685
United Way of King County	2011	102,764	51,382	-	-	-	51,382
United Way of Larimer County	2011	76,264	38,132	-	-	-	38,132
United Way of Marion County	2010	13,695	6,847	-	-	-	6,847
United Way of River Cities	2011	97,790	48,895	-	-	-	48,895
United Way of San Antonio and Bexar County	2009	78,750	39,375	-	-	-	39,375
United Way of Silicon Valley	2011	103,950	51,975	-	-	-	51,975
United Way of West Central Mississippi	2010	104,738	52,369	-	-	-	52,369
United Way Grant Program Sub-Total			740,522	-	-	-	740,522
Investor Advocacy Clinic							
Howard University School of Law	2009	175,000	43,750	-	-	-	43,750
Pepperdine University School of Law	2009	175,000	43,750	-	-	-	43,750
Seton Hall University School of Law	2010	175,000	43,750	-	-	-	43,750
Suffolk University Law School	2009	175,000	43,750	-	-	-	43,750
University of Miami School of Law	2010	175,000	43,750	-	-	-	43,750
Investor Advocacy Clinic Sub-Total			218,750	-	-	-	218,750
Grant Programs Total			\$ 1,740,782	\$ -	\$ -	\$ -	\$ 1,740,782

(1) Grantees who complete their projects under budget are required by the terms of the grant agreement to return unspent grant funds to the Foundation. This accounts for any negative amounts shown on this schedule.